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UNDERSTANDING THE PHENOMENON OF EARLY AND RAPID INTERNATIONALIZATION

CASE COMPANY Veslatec Oy

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Tämän opinnäytetyön tarkoituksena on selvittää kokonaisvaltaisen toimintamallin mukaan ne tekijät, jotka vaikuttavat nuorten, nopeasti kansainvälistyvien yritysten (INV) sekä pienen suomalaisen kohdeyrityksen kansainvälistymiseen. Nuoriksi nopeasti kansainvälistyviksi yrityksiksi määritellään ne, jotka harjoittavat kansainvälistä liiketoimintaa yrityksen perustamisen aikana tai sen alku vaiheissa vähäisillä resursseilla. Nuoret, nopeasti kansainvälistyvät yritykset ovat herättäneet huomiota ja ne haastavat perinteiset kansainvälistymismallit. Tutkimuksessa on tärkeää ensin selvittää INV:n määritelmä sekä luoda kokonaisvaltaisen toimintamalli, koska tämän tyyppinen kansainvälistyminen eroaa suuresti perinteisistä kansainvälistymismalleista, ja se myös tarjoaa selkeämmän käsityksen yrityksen kansainvälistymisen alku vaiheista.

Tutkimuksessa hyödynnetään useita teorioita kuten yritysten transaktiokustannusteoriaa ja organisatorinen kyvykkyys. Kokonaisvaltaisen toimintamalli koostuu seuraavista tekijöistä: ulkomaalaisen jakelijan osaaminen, innovaatio, verkosto, perustajan visio ja yrityksen sisäinen strategia. Tutkimuksessa käytetään monimenetelmää, joka koostuu syvähaastatteluista ja kyselystä, johon vastasi kokonaisuudessaan 148 suomalaista ja kiinalaista yritystä. Lisäksi, sekundääri aineistoa on kerätty yritykseltä aineiston tukemiseksi.

Empiirisen tutkimuksen avulla halutaan selvittää merkityksellisimmät tekijät. Tulokset osoittavat, että ulkomaalaisen jakelijan osaaminen sekä verkostointi eivät ole yhtä tärkeitä toisiin tekijöihin nähden. Lopuksi kohdeyritykselle annetaan ehdotuksia johtopäätösten muodossa. Avainsanat: Kansainvälistyminen, Nuoret nopeasti kansainvälistyvät yritykset, Tekijät, Kansainvälinen toiminta.

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ABSTRACT

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This study aimed to investigate the drivers of international performance for International New Ventures (INVs) and a small Finnish case company through an integrated performance model. The existence of INVs presents a unique challenge to the traditional incremental internationalization pattern, and therefore has received considerable attention. Since this early and rapid internationalization phenomenon is inconsistent with the traditional internationalization theories, the study purports to first offer an explanatory description of the INVs, and ultimately develop an integrated performance model for the understanding of the drivers for early performance.

An extensive theoretical base is employed in the study, including the transaction cost theory and the organizational capability competence of the firms. Specifically, the framework is conceptualized from the integration of foreign distributor competence, innovation, network, founder's entrepreneurial vision, and the internal business strategy. A mixed-methods approach was adopted in the study, combining in-depth interviews and survey data from 148 Finnish and Chinese enterprises. In addition, secondary data was collected from the company as supportive materials.

As a result of the empirical research, the most significant drivers were examined. Moreover, the role of the foreign distributors and networking was towards to be less important compared to other drivers. Finally, some suggestions and implications were provided in the form of conclusion for the case company.

Keywords: Internationalization, International New Ventures, Drivers, International performance

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1 INTRODUCTION

1.1 Background

The phenomenon of early internationalization was becoming increasingly prevailing since the 1990s (Rialp, Rialp, & Knight, 2005). In contrast with the traditional incremental process, this new trend of internationalization is described as rapid and early, commonly known as early and rapid internationalization. According to Oviatt & McDougall (1994), the emergence of International New Ventures (INVs) is a different path for established firms to internationalize and, therefore it might become a unique challenge to traditional internationalization patterns. Since the 1970s, the conceptual approaches and empirical studies of internationalization have been processed by Johanson & Vahlne, Bikley & Tesar and Johanson & Wiedersheim-Paul, as cited by Hultman, Hertz, Johnsen & Johnsen, so that “Internationalization was characterized by increasing involvement in international markets”, and that “through developing commitments to organizational forms which required the input of increased resources at each stage”. However, INVs start business internationally with constrained resources and small size. Therefore, they are mainly small-and medium-sized enterprises (SMEs), particularly in advanced technology industry.

The definition of SME as adopted by the European Union is based on two aspects: (1) the employee number should be smaller than 250, and (2) the balance sheet total should be no more than EUR 43 million (Eurostat, 2003). Finland has a total of 363,587 enterprises, and SMEs consist of 99% of all of the established firms in 2014. 93% of SMEs employing less than 50 people, these SMEs generate half of the business revenue in Finland (Statistics Finland, 2015). Therefore, the study of the SMEs is of great significance related to the national economy and the employment in the country. As the importance of SMEs has grown rapidly in recent decades, the INVs phenomenon has received great attention from different breeds of scholars. This study determines to review and evaluate the heterogeneous literature concerning INVs and summarize the key elements of INVs. The study of INVs also initiates to offer a new insight for the management

team of the case company, so as to potentially engender and mediate its development and progress (Knight & Cavugil, 1996).

1.2 Case company: Veslatec Oy

Veslatec Oy is a Finnish laser technology company, founded in 1989 and the company has been a pioneer as manufacturer of laser for over 20 years. In addition to traditional laser cutting, its versatile offerings cover laser welding, laser drilling, and laser bending services (Veslatec Oy, 1989). These applications are applied to a wide range of industrial sectors, which are the medical sector (hospital instrument & manufacturers), the food processing industry (equipment and machinery enquiring special sanitation), the energy industry (solar panels, condensers, heat exchangers & industrial batteries), the vehicle industry (electric motors & high-power batteries) and machine building (sheet metal structures). Consumers are now demanding specialized and customized products, so Veslatec Oy places a strong focus on customer satisfaction.

Veslatec Oy has a laser manufacturing history of over twenty years, and the company has built close business partnerships with customers in over 13 different countries. Veslatec Oy is a small-sized enterprise with 15 employees, however, the company started to internationalize at the beginning of its establishment and has set up a successful international business. Although the company faces the challenge of limited financial and human resources, it gains market share by providing value-adding products and services, and it corresponds to customer needs quickly and flexibly. As a result, international trade generates half of the sales for the company, and in the near future, the owner believes that more exporting transactions will be developed. In the international expansion aspect, the success leans on the unique laser technology embedded and the capability of the management team to utilize the scarce resources. In Finland there are few large laser technology leading enterprises, because the size of the majority business is small.

Veslatec Oy is an ISO 9001:2008 and 14001:2004-certified company. It is also the first enterprise to manufacture the Segmented Ink Blade with laser technology, which is the component for ink fountains so as to improve the colour effect and

reduce the need of paper for the printer. Generally, since each blade is manufactured based on the customer's order and requirements, Veslatec Oy stands up for various services and products.

1.3 Objective

The core objective of this study is to investigate “why does the phenomenon of early and rapid internationalization occur?” To address this question, intermediate objectives need to be set, for instant, the difference between traditional internationalization process and INVs as a new trend for SMEs, so as to offer a better insight of the analysis of INVs. In this study, the intermediate objectives can be broken into two basics as listed below:

- (1) To explain the early and rapid internationalization from the traditional internationalization theories;
- (2) To examine INVs from various aspects of concepts, characteristics, international market entry mode and driving forces;

1.4 Research questions

Based on the above stated objectives, the detailed research question that guides the study is:

- (1) Can the generally accepted internationalization theories of Multinational Enterprises (MNEs) be applied to the explanation of INVs?
- (2) How successfully have International New Ventures survived in recent years?

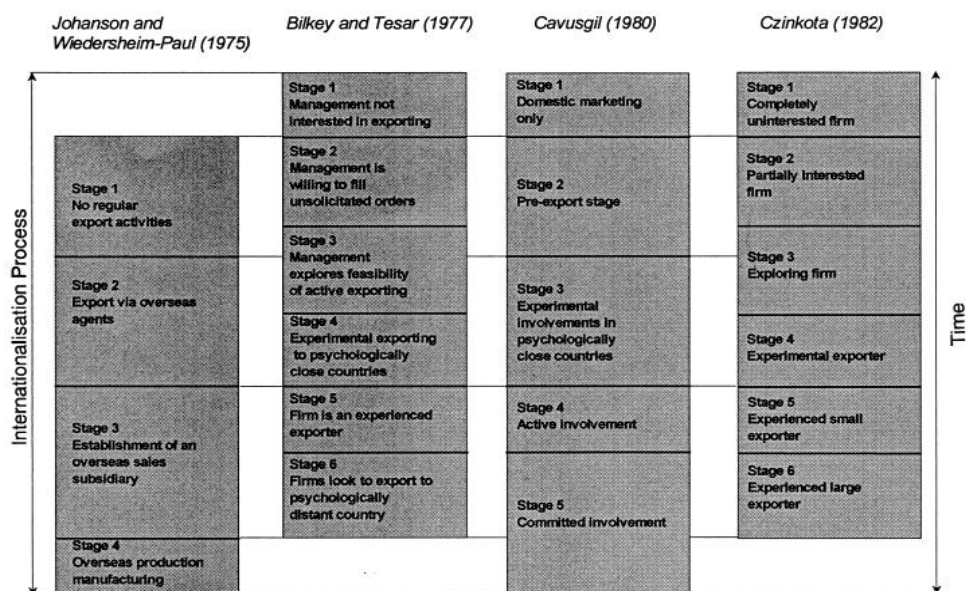
1.5 Literature Review

As internationalization has been broadly studied since 1970s, this study is restricted to three perspectives of the literature. First focus is on the evolution of early theories of internationalization to examine if these traditional internationalization theories can be used for the explanation of INVs. It covers early internationalization concept and process investigation, from the foreign

direct investment decision process of multinational firms to the internationalization process, which lays a solid foundation on the subsequent research. Second, after scrutinizing the basic information of INVs, a resource-based view of the firm, transaction cost theory and the organizational capability perspective are integrated serving as a theoretical framework to explain the INVs in this volume.

1.5.1 Early Internationalization

As demonstrated by Buckley & Ghauri, “Starting from Dunning (1958), Vernon (1966), Servan-Schreiber (1969) and Horst (1972), through chapters 3 and 4, and Luostarinen (1979) we have seen how the focus has shifted from the decision to export to a more longitudinal approach, namely, the internationalization process.” The most prevalent traditional internationalization model is known as ‘stages’ internationalization model, in which stages the established firms enter the international markets following an incremental manner. According to the theoretical and empirical research from antecedent literature, the stages are portrayed as shown in Figure 1.



Source: Bell, McNaughton & Young, 2001

Figure 1 Comparison of various export/ internationalization 'stage' models

In the internationalization ‘stage’ model, the increasing commitment towards the overseas market is the result of an increase in knowledge and resources involvement of the international engagement. Meanwhile, the firms tend to start from geographically-near or culturally-near foreign markets in international expansion, and this behavior is determined by the ‘psychic distance’. Nevertheless, several authors have held the belief that the conventional internationalization theory and the ‘stage’ model are inappropriate in explaining the INVs phenomenon (Oviatt & McDougall, 1994). As demonstrated by Johanson & Vahlne (1990), cited by Oviatt & McDougall (1994), the ‘stage’ model is best applied to the MNEs equipped with plentiful resources, sizable international business experiences, and knowledge of the international markets, while INVs are mostly SMEs, with limited resources and small scale. In addition, the ‘stage’ model assumes the firms internationalize long after the founding, but the INVs embark international business at the inception of the founding. In this sense, the emergence of international new venture fits into another breed of theory.

1.5.2 International New Ventures

The formation of INVs has been broadly studied by different groups of scholars, mainly starting from the international entrepreneurship field. Patricia McDougall, a specialist in INVs, first examined the early internationalization of firms in the late 1980s (Cavusgil & Knight, 2009). In her study, the INVs are defined as “business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Cavusgil & Knight, 2009, p470). In the following researches, the term INVs is also conceptualized as ‘global start-ups’ (Mamis, 1989), ‘born globals’ (Cavusgil & Knight, 2009). Since all these terms describe the same phenomenon, this study will employ ‘INVs’. Early international expansion is one of the most striking features of INVs, and the constrained resources, such as limited human as well as financial resources, is another character of these less-established firms.

As mentioned previously the emergence of the INVs is inconsistent with the conventional internationalization theories, McDougall, Shane & Oviatt (1994)

quoted three fundamental questions derived from Hymer as a clue in understanding this relatively new phenomenon. The questions need to be addressed are (Hymer, S. (1976):

- (1) *Who are the founders of INVs?*
- (2) *Why do these entrepreneurs choose to compete internationally rather than just in their home countries?*
- (3) *What form do their international business activities take?*

In answering these questions, McDougall concludes that five well-accepted MNE internationalization theories fail to explain INVs. Later, Coviello & McAuley (1999) suggest that a holistic, integrated manner ought to be adopted in investigating the process, taking foreign direct investment theory, the 'stages' models of internationalization and the network perspective together into consideration. More recently, Cavusgil & Knight (2009) summarize that there are four mainstream theoretical perspectives to explain INVs formation, including Innovation theory, Resource-based view theory, Organizational theory and Capabilities view theory. In this research, the role of resources and capabilities will be combined with network approach to explain the INVs phenomenon.

Advanced technology and unique intangible assets, along with firm's ability to utilize the scarce resources efficiently and effectively, play a key role for INVs in competing with long-established MNEs in international markets. In addition, the orientation and strategies that INVs employed are significantly different from those embedded in the domestic firms or large, long-established international organizations. The inherent advantage of the smaller INVs is their strong flexibility and adaptability towards the customer requirements. Therefore, niche markets are the major business area that INVs enter, because specialized need cannot be fully satisfied by standard products and service from large MNEs. Other factors given rise to the emergence of the INVs comprise the improvement on communication technology, process technology, and information networks (Knight & Cavusgil, 1996). Without building a strong domestic base, the INVs globalize with strong capacity to utilize organizational resources and the uniqueness of their products and/or services in niche markets. Specially, in this research, the following literature will review the traditional internationalization

theory and describe the definition, characteristics, market entry mode, driving factors and challenges of INVs.

1.6 Method

This study employs both qualitative and quantitative research methodology, including a semi-structured interview and a questionnaire survey. Qualitative research includes an “array of interpretive techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Cooper & Schindler, 2006). To achieve an in-depth understanding of the issue, an interview is the primary data collection technique is used in qualitative method, and as a result, answers to the questions of how and why (Cooper & Schindler, 2006). In this study, the in-depth interview is conducted with the CEO and the international export manager of the case company face to face separately. On the other hand, the quantitative method is combined with an in-depth interview to collect the data. While the qualitative method is employed to find the answers behind the questions of how and why, the qualitative research attempts to measure the attitudes or opinions of the respondents, and to answer the questions of how much, how many, how often, when and who (Cooper & Schindler, 2006). The questionnaire in the study is sent to both Finnish and Chinese enterprises.

1.7 Layout of the study

In the first chapter, the study introduces the background information of the topic, and briefly summarizes the point of departure to analyze the core topic. The objectives and research questions give a guideline to the whole study. The second section reviews the seminal articles from antecedent scholars regarding to the internationalization process theories, which acts as a fundamental basis in the explanation of the prevalence of INVs. Next, based largely on the previous examination of the INVs, the study conceptualizes topic, summarizes the basic characteristics, and outlines the resource-based view model to explain the emergence the internationalization process of small firms. The subsequent chapters demonstrate the empirical study of the case company, and presents

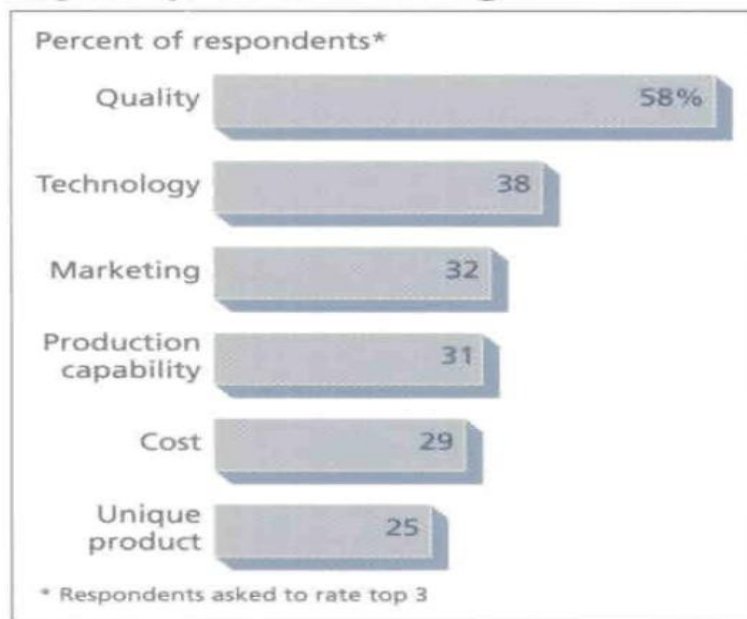
research findings regarding how Veslatec Oy developed its international expansion. To sum up, the final section offers some implications for practitioners.

2 LITERATURE REVIEW

2.1 The importance of SMEs

As defined by the European Union, the SMEs are the small and medium-sized companies, consisting of less than 250 employees and with the annual turnover not exceeding 50 million euros. In most INVs in Finland, the employees are fewer than 50 people, and the turnover are less than 100 million euros. Many studies indicate that SMEs are playing an increasingly significant role in promoting the world economy and enhancing the international trade, as well as the employment growth. Of heterogeneous groups in SMEs, the INVs start international expansion at the outset of the business, and highlight the business outputs in the foreign markets. Moen & Servais (2002) concluded from the exporting activities in Denmark, Norway, and France that the early, rapidly internationalizing firms outperform the domestic enterprises that wait for several years to venture abroad. In Finland, the SMEs generate over half of the national revenue of the country, and become the domain of the economy. According to a 1990 study of Sengenberger, the SMEs experienced a decline in the 1950s and the 1960s, but increased sharply in the 1970s and the 1980s. Since the consumer references have changed remarkably over the last few decades, and the advanced technology has created a better business environment for SMEs, therefore INVs find their own way into foreign markets. Rennie stated, “Niche markets have become an important source of opportunities for small firms” (Rennie, 1993, 48).

The seminal economic growth of SMEs has received wide attention, especially in the development of INVs, whose existence presents a challenge to the large MNEs and the trend of reshaping international business. But how do INVs, the early, rapid international firms with limited resources, compete with large, long-established MNEs? Their competences lie in the superior value and the quality of the offerings that INVs provide in the niche market in all the industries (Rennie, 1993).



Source: (Rennie, 1993)

Figure 2 Key Competitive Advantages of INVs

2.2 The internationalization theory

Since the 1960s, the internationalization process has been studied widely. The internationalization theories can be divided into two streams: the economic stream and the process stream. The economic stream highlights the elements in the decision process of the foreign direct investment, and explains the existence of the MNEs (Ahroni, 1999 & Dunning, 2000). In this view, the internationalization process of the MNEs presents static and independent choices as determinants (Lommelen, 2004). McDougall et al. (1994) examined that widely-accepted MNEs theories fail to explain the emergence of INVs, and therefore researchers need to explore new theoretical frameworks to resolve the problem. Several well-developed theories of MNEs are presented to examine the inconsistency between MNEs and INVs.

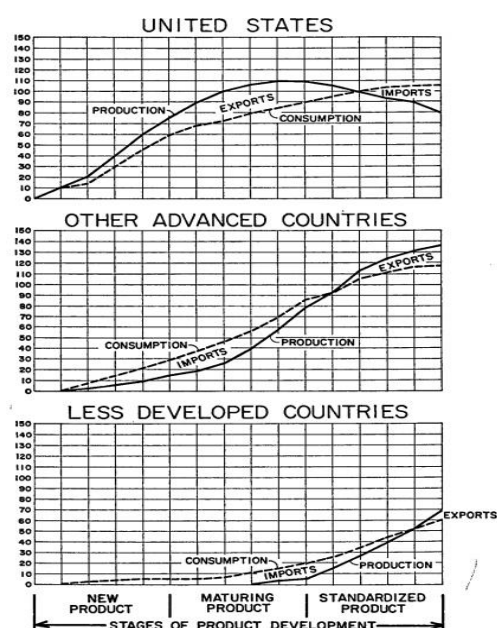
2.2.1 The Monopolistic Theory

The first theory is the Monopolistic Advantage theory, which believes that the MNEs expand internationally because of the firms' monopolistic superior

knowledge advantage, in the forms of advanced manufacturing processes, brand names, differentiated products, organizational talents and patented technology, saves costs for the company to internationalize (Hymer, 1976). Although this theory explains that MNEs receive larger revenue by internationalizing thanks to the unique knowledge resource, it fails to explain why INVs enter foreign markets at the inception of the establishment. In addition, the INVs globalize before the firms develop the advantage of the unique superior knowledge (McDougall et al, 1994).

2.2.3 The Product Cycle Theory

The second theory of traditional internationalization is Product Cycle Theory, based on the cycle of the product development. Vernon first proposed the theory in 1966 and he assumes even though all the enterprises have the same chance to get access to the knowledge that is essential for firms to decide venturing abroad or not, but the application of the knowledge varies among the firms. Further, the markets are classified as three groups, superior advanced countries, average advanced countries, and the less developed countries. All three group countries follow the stages of product development consisting of New Product Stage, Maturing Product Stage, and Standardized Product Stage. However, the countries experience production, exports, consumption and imports at different stages.



source: (Vernon, 1999)

Figure 3 Development of Production Units

Figure 2 depicts that the less developed countries can be served as production locations, which means, on the other hand, this can be used for MNEs as competitive advantage to internationalize and enjoy the low production costs (Vernon, 1999). However, Vernon himself in 1979 explained the product cycle theory was not applicable to the development of foreign direct investment (Vernon, 1979). The product cycle theory addressed the question why the firms internationalize rather than stay in the domestic market. However, INVs start global expansion in seemingly random locales, rather than the low cost of production countries, nor neighboring countries connected with the physic distances.

2.2.3 The Oligopolistic Reaction Theory

The third theory on traditional internationalization is the Oligopolistic Reaction Theory, which holds that internationalization of MNEs is the result of the industry clustering. In the data analysis of 187 large U.S. MNEs new investment in 23 countries between 1948 and 1967, Knickerbocker(1973) found that 46% new investment decision was made in 3-year period, and 75% was made in 7-year period, indicating that ‘firms imitate one another’s actions to reduce the risk of being different’ (McDougall et al, 1994). The risk associated with internationalization decision is reduced when the industry cluster make the same choice.

This theory explains that ‘firms become international to match the actions of other members of an oligopoly’, but it fails to consider that INVs initiate global expansion without the clustering influence from the industry. Instead, these firms seek to avoid direct competition with the large MNEs (McDougall et al, 1994).

2.2.4 The Internationalization Theory

The internationalization theory is based on the cost reduction of the production. Buckley (1988, p181) wrote that:

The internationalization approach to modern theory of the MNEs rests on two general axioms:

- (1) Firms choose the least cost location for each activity they perform, and*
- (2) Firms grow by internationalizing markets up to the point where the benefits of further internationalization are outweighed by the costs*

Firms internationalize since the benefits for firms outweigh the costs spent for developing international business, especially when the firms can spread the business in the lowest-cost countries. In other words, Hennart (1982) and Buckley & Casson (1976), **as cited by** McDougall et al (1994) interpreted the existence of MNEs that:

Market imperfection create the opportunity for firms to earn higher economic rents by internalizing the transfer of factor goods and services across national boundaries within a single firm than they can by arm's-length transactions between firms.

Still, this theory cannot address the emergence of INVs because INVs seem to counter to the above axioms and do not set the lowest cost location as the basis for the international business activities.

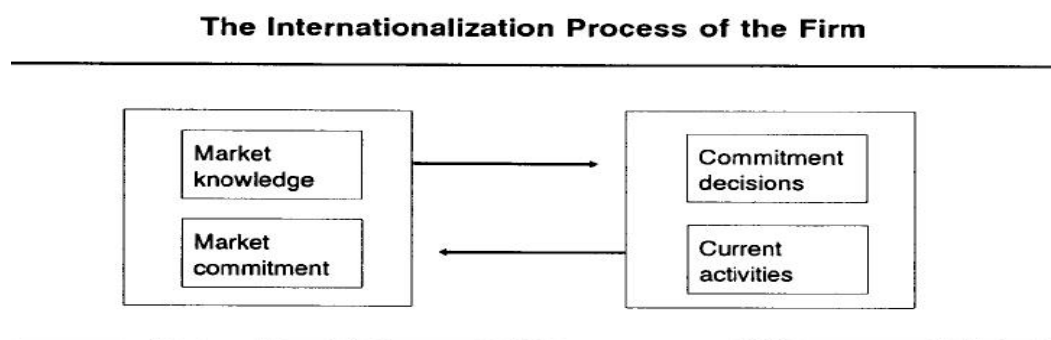
2.2.5 The stage theory of Internationalization

The stage theory of internationalization falls into the category of the second stream, which posits that the internationalization process of firms is the sequence of the behavior stages (Johanson & Wiedersheim-Paul, 1999 and Johanson & Vahlne, 1999). Uppsala internationalization model and Innovation-related internationalization model are two representative stage-method models. The traditional stage internationalization theory was developed in 1970s, and used as 'the predictive model of behaviors' (Hultman, Hertz, Johnsen & Johnsen, 2009). The difference between the Uppsala model and the I-M model rests on the basis of the gradual growth of the internationalization of the firms. The former model focuses on the organizational learning in the accumulation of the market knowledge and information. Comparably, Innovation- related model centers on

the degree of the firms' growth derived from the innovation development (Persinger, Civi & Vostina, 2007 and Andersen, 1993).

2.2.5.1 The Uppsala Internationalization Model

In the Uppsala model, firms internationalize with a stepwise extension of operations, which firms start with no regular export activities, to the establishment of the independent representatives and sales subsidiary, and finally setting up manufacturing production systems in the foreign markets (Johanson & Wiedersheim-Paul, 1999). This process is termed “establish chain”, and later was refined as ‘a dynamic model’ by (Johanson & Vahlne, 1999, 1990), which firms expand internationally through the increase of resource and commitment, as well as the growth of the market experience and information gained by the firms during the internationalization process. The market knowledge and the market commitment are defined as the state aspects, while the commitment decisions and the current activities are conceptualized as the change aspects. In this dynamic model, ‘the outcome of one cycle of events constitutes the input to the next’, shows that the mutual influence displays on each other in the structure.



Source: (Andersen, 1993)

Figure 4 The Uppsala Model

Furthermore, the underlying assumptions of the theory require that the firms develop a solid foundation in the domestic market before venturing, and the lack of knowledge and resources is the obstacle of the firms to expand internationally in the early stage (Johanson & Vahlne, 1999). In addition, in order to offer a better understanding of the stage model, the choice of markets also occurs in stages,

wherein the concept of psychic distance relates to the differences from the home country in terms of “factors preventing or disturbing the flows of information between firms and market” (Johanson & Vahlne, 1999). Due to the differences in language, culture, political systems, and economic development, it is less risky for a firm to venture in a neighboring country.

2.2.5.2 The Innovation-Related Internationalization Model

Both the Uppsala model and the innovation-related model are based on a behavioral approach, regarding internationalization as a process (Andersen, 1993). The distinction between them is that Innovation-Related model is step-by-step development connected with adopting an innovation. The majority of the studies of Innovation-Related model focus on the exportation, and the stage boundaries of the model lies in the extent to which the firms are involved in the exportation (Gankema, Snuif & Zwart, 2000).

Bilkey and Tesar [1977]	Cavusgil [1980]	Czinkota [1982]	Reid [1981]
<p>Stage 1 Management is not interested in exporting</p> <p>Stage 2 Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting</p> <p>Stage 3 Management actively explores the feasibility of active exporting</p> <p>Stage 4 The firm exports on an experimental basis to some psychologically close country</p> <p>Stage 5 The firm is an experienced exporter</p> <p>Stage 6 Management explores the feasibility of exporting to other more psychologically distant countries</p>	<p>Stage 1 Domestic marketing: The firm sells only to the home market</p> <p>Stage 2 Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting</p> <p>Stage 3 Experimental involvement: The firm starts exporting on a limited basis to some psychologically close country</p> <p>Stage 4 Active involvement: Exporting to more new countries—direct exporting—increase in sales volume</p> <p>Stage 5 Committed involvement: Management constantly makes choices in allocating limited resources between domestic and foreign markets</p>	<p>Stage 1 The completely uninterested firm</p> <p>Stage 2 The partially interested firm</p> <p>Stage 3 The exploring firm</p> <p>Stage 4 The experimental firm</p> <p>Stage 5 The experienced small exporter</p> <p>Stage 6 The experienced large exporter</p>	<p>Stage 1 Export awareness: Problem of opportunity recognition, arousal of need</p> <p>Stage 2 Export intention: Motivation, attitude, beliefs, and expectancy about export</p> <p>Stage 3 Export trial: Personal experience from limited exporting</p> <p>Stage 4 Export evaluation: Results from engaging in exporting</p> <p>Stage 5 Export acceptance: Adoption of exporting/rejection of exporting</p>

Source: (Andersen, 1993)

Figure 5 A review of the Innovation-Related Internationalization Model

The main differences in the above models developed by the four groups concentrate on the number of stages and the description of each stage. For example, Bilkey and Tesar, as well as Czinkota state that firms are not interested

in exportation at the first stage, and are willing to initiate the exportation at the second stage. However, Cavusgil and Reid hold exact opposite opinions towards the incentive stage for firms internationalizing. In the Innovation-Related model, the ratio of export sales to total sales represents the degree of the firms' exportation involvement.

Although the stage theory of internationalization has been well-known and widely discussed, it receives numerous criticisms for various reasons. The model is criticized to be too deterministic in that the internationalization process of INVs skip some stages, indicating that not all the steps are necessarily for INVs (Reid, 1983). The role of knowledge and resources in the model is over-emphasized, and other factors such as the characteristics of the industry and the company are neglected. In addition, Anderson (1993) pointed out that the theoretical framework of the model is inconsistent with the empirical findings, and the unclear boundaries of the 'establishment chain' weaken the validity of the theory. Nevertheless, the stage theory of internationalization explains the development of MNEs that many firms gradually internationalize as the commitment and resources increase, and therefore examining traditional firms would also provide a useful basis for comparison (Cavusgil & Knight, 2015).

3 INTERNATIONAL NEW VENTURES

3.1 Definition

In order to obtain further knowledge about the INVs, more specially oriented and highly systematic researches need to be reviewed. The advent of East India Company in 1660, the American cotton exporters, and the Ford Motor Company is a reflection of the INVs. However, until 1989, Patricia McDougall, a specialist in INVs, started to examine the early internationalization of the firms in the international entrepreneurship area (Cavusgil & Knight, 2009). In 1993, the McKinsey Company first conceptualized this early and rapid internationalization phenomenon. By the 1990s, this trend had become a noticeably novel breed of SMEs (Cavusgil & Knight, 2015). So far, academic papers with regard to this topic were mainly found in International Business, International Entrepreneurship and International Management fields (Rialp et al, 2005). Therefore, INVs are obviously a relatively new phenomenon with the history of just over two decades. Compared to traditional SMEs, INVs are noticed as forming by creative entrepreneurs with an international mind, targeting at global markets, and venturing abroad at the formation of the firms (Kirpalani & Gabrielsson, 2012).

Numerous research areas have covered in the study of INVs and offered various thoughts for the understanding of this phenomenon, but a fundamental issue is the fact that there is no standard definition of this new trend, which would be of great significance for the future research. In this view, INVs have been termed differently, and Luostarinen & Gabrielsson (2004) identified them developed over the chronological order as (a) deviations, inconsistencies, variations to the stages models of internationalization; (b) new technology-based firms; (c) high-technology start-ups; (d) born internationals; (e) born globals, (f) INVs; (g) global start-ups; (h) instant internationals; and (i) global, knowledge-intensive firms.

Depending on the objectives and the methods adopted by the scholars, the following definitions are listed in Table 1.

Dimension/author	Vision	Precocity (Time before starting export)	Speed (Foreign growth/age)
Oviatt and McDougall(1994)	A business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries		
McKinsey & Company (1993) Rennie (1993)	Management views the world as its marketplace from the outset of the firm's founding	Began exporting, on average, only 2 years after foundation	Achieved 76% of total sales through exports at an average of 14 years
Knight and Cavusgil (1996)	Management views the world as its marketplace from the outset of the firm's founding	Began exporting one or several products within 2 years of establishment	Tend to export at least a quarter of total production
Chetty and Campbell- Hunt (2004)		Within 2 years of inception	80% of sales outside New Zealand; markets are worldwide
Luostainen and Gabrielsson (2006)	Global vision and/or at a global growth path	At the outset entered global markets	Over 50% of sales outside home continent. Established after 1985
Servais, Madsen and Rasmussen (2007)		Within 3 years of establishment	More than 25% of foreign sales or sourcing outside home continent
Zhou, Barnes and Lu (2010)		An international market entry process that occurs within 3 years of firm's inception	Generating at least 20% of total sales from multiple countries. Founded in 1990 or later

source: adapted from (Gabrielsson, Kirpalani, Dimitratos, Solberg & Zucchella, 2008)

Table 1 INVs definitions

Among the most popular definition of early and rapid internationalization phenomenon, although the term ‘international new ventures’ is synonymous to ‘born globals’, there are distinctions between them. Knight & Cavusgil (2015)

describe that ‘born globals as entrepreneurial start-ups that from or near their founding seek to derive a substantial proportion of their revenue from the sale of products in international markets’ (Cavusgil & Knight, 2015). While the INVs employ various entry strategies and organize a range of value chain activities, born globals expand internationally primarily through exportation. After scrutinizing the common characteristics of the definitions, Shneor (2012, p161) summarizes a comprehensive interpretation:

an integrative definition may refer to an overall young and entrepreneurial firm aiming to enter international markets from its inception, going through a short or no domestic market period prior to international expansion, and whose majority of revenues is generated outside the home market, all while heavily relying on networks and strategic alliances as sources for learning and resources.

Distinctive characteristics of international new ventures can be summarized based on the above description from different authors. First, the defining characteristic is that firms internationalize from or near the founding without building up a strong domestic market base, and view the world as one single market, which is commonly characterized as early internationalization (Tanev, 2012). Although INVs tend to be relatively small and medium-sized, having limited financial and tangible resources compared to the established MNEs, INVs develop their unique competence by improving the quality and the value of the offerings. The superior quality of the products contributes to the success of the INVs and has become the inherent prowess of these small international enterprises. In addition, INVs are mainly founded by the individuals with the entrepreneurial mindset and the international vision to compete proactively in the global market. In this sense, the founders are more active in finding the business opportunities for their business and deploy the external resources to replenish the deficient tangible resources (McDougall & Oviatt, 2000). For the management, the founders adopt hybrid strategies, especially the differentiation and focus strategy, to meet the particular needs in global niche markets (Knight & Cavusgil, 2004). “People and firms increasingly demand specialized and customized products, and niche markets have become an important source of opportunities for small firms” (Cavusgil &

Knight, 2009). On the other hand, the prevalence of globalization, the advent of Internet and other modern communication technologies make the cost of internationalization no longer the barriers for the SMEs to expand globally (Cavusgil & Knight, 2009). In the integrative model of testing international performance of INVs, Gerschewski, Rose & Lindsay (2015) found that “international entrepreneurial orientation, focus on product/service quality, and competitor orientation are critical drivers of international performance” for INVs.

Why was early attention to the INV phenomenon warranted? Significantly scholarly attention to this trend started in the 1990s, and researchers demonstrate the appearance of INVs delivered the message that firms with limited resources can compete with the large, long-established MNEs by their unique and value-added offerings. Acting as active participants in global trade and investment, INVs contribute to the growth of economic development and offer job positions. Despite the INVs occur under the condition of asset parsimony, these resource- and experience-deficient enterprises compete globally by leveraging the unique capabilities and external improved strengths, because advances in information process technology, communication technology and transportation technology have decreased the costs of international business and thus facilitated the prevalence of the emergence of INVs. In addition, the international performance of INVs is influenced by organizational orientations and generic strategies. As examined by Knight & Cavusgil (2005) following the Porter’s (1980) framework, the primary strategies adopted in these firms are differentiation and focus, excluding cost leadership (Porter, 1980 and Knight & Cavusgil, 2005). In this framework, the differentiation emphasizes the INVs offer universally perceived as unique product offerings and focus entails concentration on a specific buyer group, market segment, or geographic market with particular demands (Cavusgil & Knight, 2015).

3.2 Theoretical Background

So far considerable amount of academic investigations in the early and rapid internationalization phenomenon has been undertaken, but the main work concentrates on the description and analysis of the underlying rationales for the

existence of the INVs. In addition, some researchers study internationalization patterns and formulate them into three types (incremental internationalization pattern, early and rapid internationalization pattern, and born-again globals). This study purports to examine the drivers of international performance of the INVs to offer an insight for developing international business in the global markets. The past theoretical frameworks adopted resource-based view, dynamic capabilities, the knowledge-based view, the network perspective on internationalization and organizational learning view to investigate the existence of the early internationalizing (Gerschewski et al, 2015). Here, after the literature review, a set of hypotheses are proposed and subsequently an integrated performance model is presented to test the important attributes for determining the efficient international performance for INVs.

3.2.1 Leveraging Foreign Distributor Competence

Grounded in the transaction cost theory, the adoption of the market entry mode is of significance for firms entering into foreign markets to achieve the best market efficiency (Anderson & Gatignon, 1986). So far, the existing literature does not suggest the clear definition of the best mode of entry, and scholars propose that it is determined by the trade-off between control and the commitment of the resources. Williamson (Williamson, 1985) stated that in the transaction cost economics view, the uncertainty of the foreign market is a result of inexperience or ignorance of the target market. Therefore, in this relatively volatile circumstance of many foreign markets, firms need to balance the risks and the return of the decision-making. Enterprises can minimize the resource commitments and gain the flexibility when they opt for low-control entry modes (e.g., licenses and other contractual agreements), and in this sense, the risk would be shifted to outsiders (Cavusgil & Knight, 2009).

Oviatt and McDougall (1994) first provided an explanatory framework of INVs by integrating transaction cost economics view with the development in entrepreneurship research (Rialp et al, 2005). There are four necessary and sufficient elements in the framework defining the existence of the INVs:

Internationalization of some transactions, extensive use of alternative transaction governance structure, some advantage over indigenous firms in foreign locations and most importantly, unique resource. Especially, it is essential for the companies to maintain their propriety knowledge and limit its use by outsiders. Currently, in the empirical study of the early internationalizing firms, the market entry mode centers on the exportation. Since there is no any other evaluation of the most efficient market entry mode for INVs and currently, the mechanism used for market entry of INVs is exporting, this study is reviewed in the context of exportation. Since most of the INVs tend to rely on independent intermediaries to distribute their products abroad, the distribution efficiency has an impact of the international performance of the INVs. Among the constructs to determine the optimal degree of control contribute to the efficiency of an entry mode, the external uncertainty (the unpredictability of the entrant's external environment) and the internal uncertainty (the entrant's inability to determine its agents' performance by observing output measures) identify the exportation mode as high-control mode for INVs. Accordingly, exporting offers a high degree of international business flexibility, while these early and rapid internationalizing enterprises are required to commit higher level of resource in the transactions. Foreign distributors possess superior foreign market knowledge and therefore, leveraging foreign distributor competences can overcome the external uncertainty of the target market and reduce the resource commitment from INVs.

3.2.2 Innovation

Although INVs are mainly tangible resources-poor SMEs, various constructs are believed to contribute to the success of INVs. The internationalizing action of the small-sized and resources-poor INVs is particularly innovative (Knight & Cavusgil, 2004). The ability for INVs to internationalize at the founding is a reflection of the accumulation of the innovation and knowledge within the firms. Resources, organizational capacities and networking have received substantial attention in analyzing the international performance of INVs. The internal capacities of the small firms can supplement the constraint of the physical resources (financial and human resources) and offer unique competences.

The minimum definition of Innovation is that “Innovation is creating something new and implementing it successfully at a market” (Ulijin & Brown, 2004, p2). Innovation has been long viewed as the source of firm profit and growth in the Schumpeterian theory (Schumpeter, 1934(2008)). Nelson and Winter (1982) hold the evolutionary economics view that innovation derives from the routine functioning of organizations. The ability of transforming the technological knowledge into business activities leads to the survival of start-ups. The evolutionary economics view implies that “the superior ability of certain firms to sustain innovation and, as a result, create new knowledge leads to the development of organizational capabilities, consisting of critical competences and embedded routines” (Knight & Cavusgil, 2004 and Nelson & Winter, 1982). In firms, the innovation stems from the internal Research and Development activities and the external learning from large firms. In addition, the carrying-out of new combination with the existing conceptual and physical materials gives rise to the innovation knowledge ((Knight & Cavusgil, 2004 and Schumpeter, 1934).

Innovation is viewed as the basis of the evolutionary economics, while the tacit knowledge derived from innovation functions as the foundation of firm to deploy internal factors efficiently. The relationship between innovation and international performance of the firm is associated with proprietary knowledge that is unique, inimitable and immobile. In this regard, the threat from the competitors is lowered and the profit from sales is facilitated, and as a result, leads to the increase of prevailing productivity level of companies.

4 RESEARCH METHODOLOGY

4.1 Method

The empirical study is conducted in Finland, a well-developed country consisting of 99.8 percent of the SMEs (Finnish Ministry of Economy, 2013). A mixed-methods approach, including qualitative and quantitative methods, is employed. Qualitative research answers questions related to how and why, while the quantitative method measures the opinion or attitude of the respondents, to achieve a deeper understanding of the issue associated with how many, how often and how much. In this study, the in-depth interviews are conducted with the CEO and the International Exporter Manager of the case company face to face. Each interview is held separately. On the other hand, a survey is combined with the in-depth interview to collect the data from China and Finland. The survey consists of a ten-issue questionnaire, to explore the underlying drivers of international performance in various enterprises.

In this study, for the in-depth individual interview, the selected case company is a laser-technology based metal fabrication enterprise and it was chosen based on the following criteria. First, the case company belongs to SMEs, in which there are 10-250 employees and the turnover is below 50 million EUR (European Commission, 2003) . Second, the case company has sought to internationalize from nearly its inception or within three years of its establishment, and at least 25 percent of its output is engendered in the global market (McDougall et al, 1994 and Knight & Cavusgil, 1996). Currently, the overseas customers of the case company are from 13 different countries located in Asia, America, and Europe. The third criterion is that the firm can offer evidence of rapid international growth, wherein the turnover was used as primary measurement since it is the most common indicator of the business performance (Brush & Vanderwerf, 1992). Specifically, the identification of the rapid international growth adopts ‘the view of studies conducted in the OECD countries: SMEs with a minimum of 150 percent increase in the four-year cumulative turnover are characterized as rapid (or hyper) growth companies’ (Partanen & Servais, 2012). The expansion plan of the company can be used as supportive evidence of the firm’s success.

Based on the above selection criteria of the case company, the profile and the business performance of the chosen case company is presented in Table 2.

FIRMS	Offering	Number of employees currently	Number of employees in next 3 years	Year of inception	Number of the international markets
Veslatec Oy	Laser fabrication	15	20-49	1989	13

Source: (Saarniaho O. , 2016)

Table 3 Turnover development of case company

Veslatec Oy	2011/03	2012/03	2013/03	2014/03	2015/03
Turnover /Yrityksen liikevaihto (1000 EUR)	892	1125	1343	1333	1817
Change of Turnover % / Liikevaihdon muutos%	139.30	26.10	19.40	-0.80	36.30
The Result of Financial Year / Tilikauden tulos (1000 EUR)	56	11	51	-16	-4
Profits % / Liikevoitto%	5.10	4.70	5.70	1.10	3.00

Source: (Saarniaho A. , 2016)

Table 2 Profile of case company

Combined with the business plan in the case company, Veslatec Oy is operating promisingly, although the result of financial year was negative. The owner explained that the negative result of the financial year was due to the purchasing and updating of the facilities in the company. Currently, Veslatec Oy has service network including partners in Finland, Germany and Turkey (GmbH, 2011) . Meanwhile, the customers abroad are from Germany, Switzerland, Poland, UK, Netherlands, Austria, USA, China, Brazil, Taiwan, India, Singapore, and Estonia.

4.2 Data collection

The primary data of the study comprises of two semi-structured interviews with the CEO and the Export Manager of the firm. The scope of the interviews was twofold. First, the respondents offer a rich introduction to the company and

further the business mode in the company. Second, the description of the networks developed in the company can be described. From this perspective, the key actors and the strategy adopted in developing the business network can be understood in a better sense. In addition, the online survey is conducted to collect the data from the early internationalizing SMEs in both Finland and China. Specifically, the survey collected from China is conducted partially by the Tengxun Questionnaire Company and through the business network of professor Liu Shulin in Wuhan University of Technology. In Finland, the survey is sent manually to the companies listed in coastline.fi, and received 51 responses.

In addition, a set of secondary materials is collected as supportive documents. Generally, the documents are company brochures, publicly available statistics, the firm website and the presentation materials. Furthermore, the company visit delivers a better understanding of the practical operations of its offerings, as well as the customer lists. These secondary data are used as background information, to enhance the understanding of the business environment and the adequacy of the transcription of the respondents' comments of the interview questions.

4.3 Data analysis

The interview is primarily conducted face to face in the company, and the transcripts are recorded and subsequently corrected and commented by the respondents. The interviewees are the CEO and the International Export Manager of Veslatec Oy, both of whom have strong motivation to internationalize in a higher extent and seek for a new market. In the survey, the respondents are mainly from senior management team, including the CEOs, and the respondent firms comprise manufacturing companies (see Figure 6). The data of the survey is analyzed in Excel and presented as graphs.

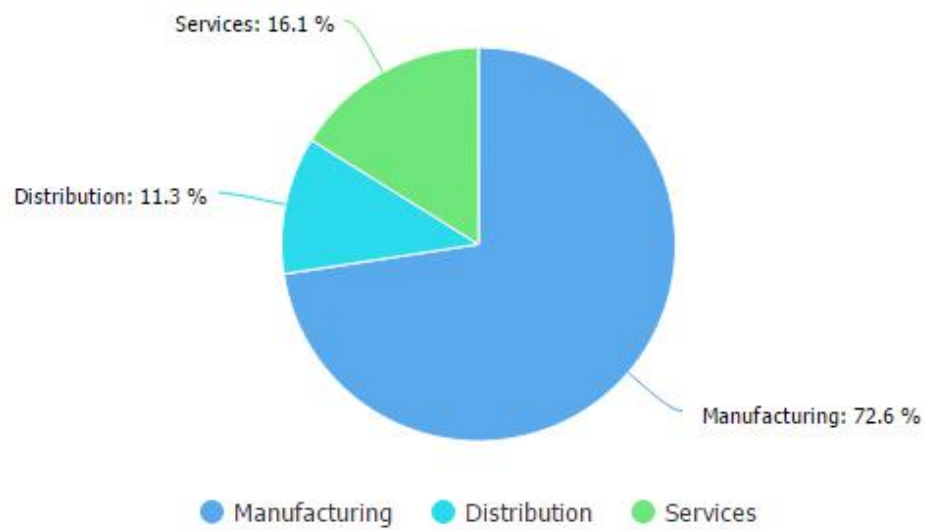


Figure 6 The types of the internationalizing firms

The pie graph presents a clear distribution of the respondent firms, and firms tend to favor manufacturing as primary industry. In this sense, it conforms to the industrial type of the case company, and the result of the following questions can be applicable to the development of the case company.

5 Empirical Findings

5.1 Findings from Interviews

The interview was conducted with the CEO and the managers from the International Export Department of the case company by means of collecting their answers on the set questions.

Regarding “Question 1: What are the drivers that motivated you to internationalize early?”, the interviewees explained that the initiation of internationalizing early at the beginning of the firm was because the local customers ordered the specified products for their overseas production subsidiary. When the owner realized the superior quality and the customized products were highly demanded, the company views of this kind of market as a niche market and specialized in the customized goods. In this way, the company gradually increased its international involvement. Subsequently, to expand the market and explore new business opportunities, the CEO decided to take exportation as the primary market entry mode to the American market and the Asian market (mainly China, India, and Taiwan). Initially, these new markets were exploited through the trade fair or business forum.

Regarding “Question 2: What are the most important determinants for the company’s international performance?”, the interviewees highlighted the importance of innovation and the quality of the products. At Veslatec Oy leading laser technology is the unique advantage and the products are better designed, more cost effective and of higher quality than those of their competitors. In this way, the company competes primarily on quality, rather than on price. The average personnel working in the production line are required to not to leak out the manufacturing process by signing an agreement in advance. The representatives of Veslatec emphasized that the innovation of the products stems from the R&D and the learning from the past technology. So, the technological development of the products is the key of the leading position of the firm in laser industry. The alternative driver is the high quality of the offerings, in which the case company invests the most effort. Originally, Veslatec Oy was the supplier of

ABB Oy and the main transactions are from ABB, but currently, Veslatec Oy has developed its own business networks in addition to the co-operation with ABB. The CEO at Veslatec stated that the superior quality of their products is the key to attract the overseas customers from trade fair or other forum. Take the Chinese market as an example, the clients highly value the unique and superior offerings from Veslatec because the quality of the same products in the Chinese laser manufacturing industry cannot be guaranteed.

In summary, in the highly competitive environment of international trade, the key internationalization triggers of Veslatec Oy are: (1) strong demand for the product in the numerous countries worldwide; (2) leading manufacturing position in laser technology industry; (3) high quality of the offerings. Moreover, in the face-to-face interview with the founder, he displayed an aggressive attitude toward identifying foreign market opportunities, seeking partnerships with foreign firms, and building organizational capabilities to enhance competitive advantage. The firm currently generate the about 25 percent of its sales from the various international markets, and is expected to engender around twice of its international sales in the next three years. After the company gained considerable popularity with foreign buyers, it has a promising business plan for its international expansion through handling the marketing activities with local intermediaries and partners. So far, the international success of Veslatec derives partially from the social networking and the foreign distributors.

5.2 Findings from Survey

The questionnaire consists of ten questions, in which the first four questions are used as the filter to exclude those companies not in the category of INVs. Therefore, of the total 148 responses, 114 responses can be utilized and the other 34 answers from firms are not INVs according to the setting of the first four questions. Figure 7 depicts the percentage of the companies if the companies are in the category of early internationalizing firms. Obviously, the number of effective companies accounts for 77 percent of the total number of the companies.

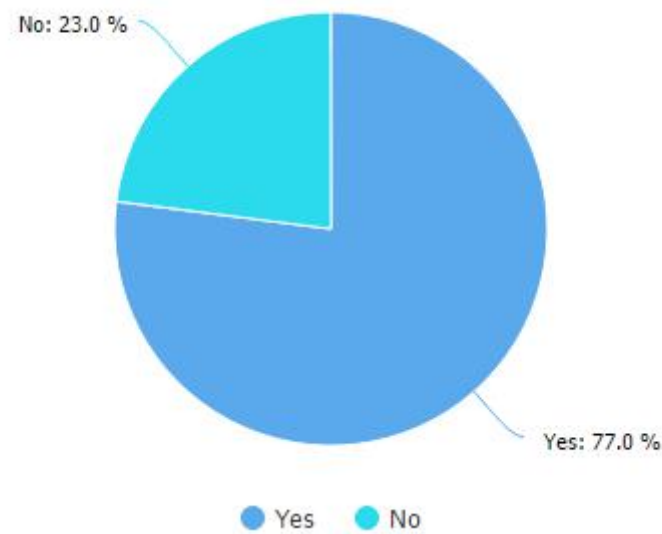


Figure 7 The percentage of internationalizing firms

The following questions 5 and 6 examine the general characteristics of the responding companies, including the activity type and the creation length of the companies. Figure 6 portrays that a majority (73%) of the responding companies are in the manufacturing business, of the rest 16%, favor services and 11% are in the distribution industry. What comes to the creation year of the companies, 46% of the companies are young (founded within the past 5 years), 34% have had their business between 5 and 10 years, and the rest, 20%, have a longer history, over 10 years in length. In sum, most of the companies from the survey are relatively young, which can be a reflection that increasingly more SMEs are established and target at the global market. The distribution of the activity type indicates that the manufacturing industry has a dominant position among the three industries, so there is market potential for the entrants of service and distribution industries.

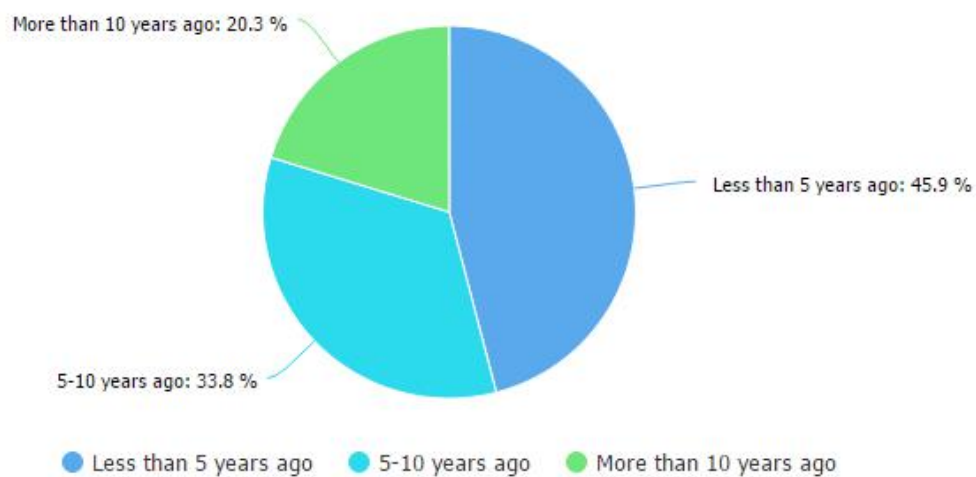


Figure 8 The creation of the internationalizing firms

The subsequent question 7 investigates the exports to total sales ratio of the companies. According to the definition of the INVs, the export ratio should not be less than 25 percent, so in Figure 8, 24% of the companies with lower than 25 percent of exportation ratio are not INVs. The rest 76%, represent the most of the companies taking exportation as the primary market entry mode into the foreign market, indicating that the result is consistent with the assumption of the market entry adopted by most of firms (Figure 9).

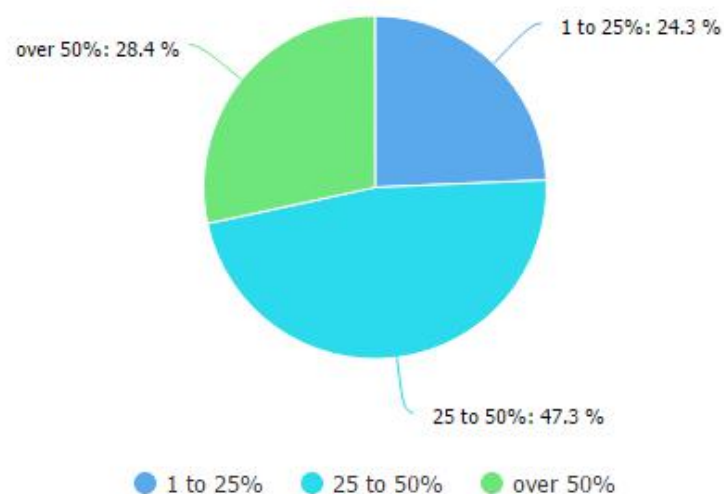


Figure 9 The export ratio of the internationalizing firms

Question 8 pertains to the country distribution of the clients for the companies in both China and Finland. From Figure 10, it is apparent that over two thirds of the companies internationalize in the countries on another continent, and around one third has cross-border partnership in the neighboring countries, which reveals that still some firms may follow the incremental internationalization pattern considering the ‘psychic distances’. However, both Finnish and Chinese firms explore the global business opportunities despite the distance. On the other hand, for the Finnish companies, the worsened business relationship between Finland and Russia need to be considered as one reason for the international expansion.

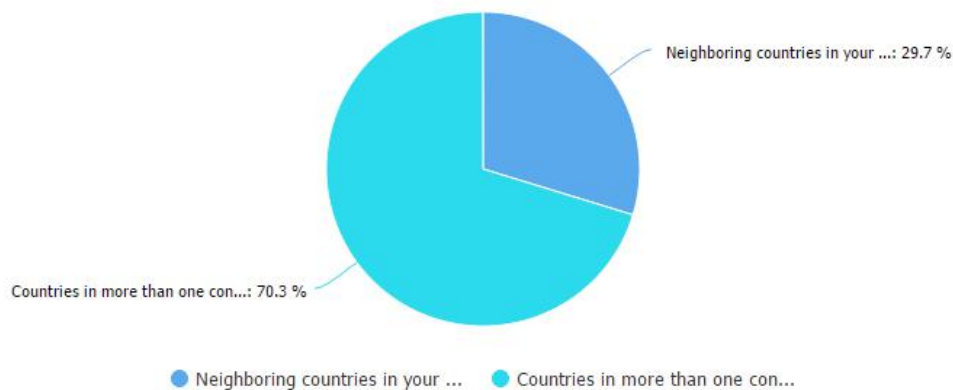


Figure 10 The psychic distance of the foreign markets

Question number 9 refers the main reason for the firms to internationalize. Among the four answers, the first two group, 39% of enterprises, claims to get access to know-how and technology, while another 33% get access to new markets. The rest, two groups, representing 14% firms, get access to cheaper raw materials and 15% get access to production capacity.

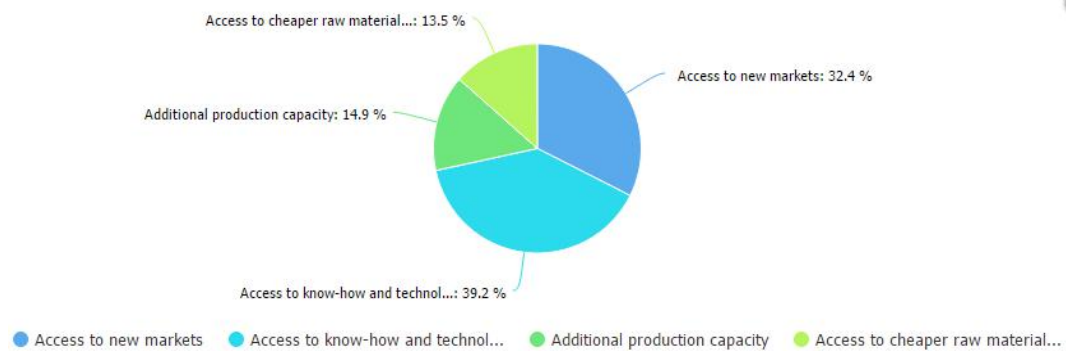


Figure 11 The reason of internationalizing

The last question is the most essential and effective question investigating the drivers to achieve superior international performance. In the conceptual performance model, the drivers are hypothesized to have a positive influence on the international performance, so the bar chart in Figure 12 offers empirical insight for the case company. Moreover, it can be seen that “Quality of product/service” has a dominant percentage among the seven drivers, accounting for 69%. Subsequently, innovation, uniqueness of the product/service and founder’s international entrepreneurial vision are ranked as the second, third and fourth important factors by the responders respectively. Therefore, this trend implies that the internal capabilities of the firm play a key role in international trade, while the price of the products and the distribution system are the least essential drivers.

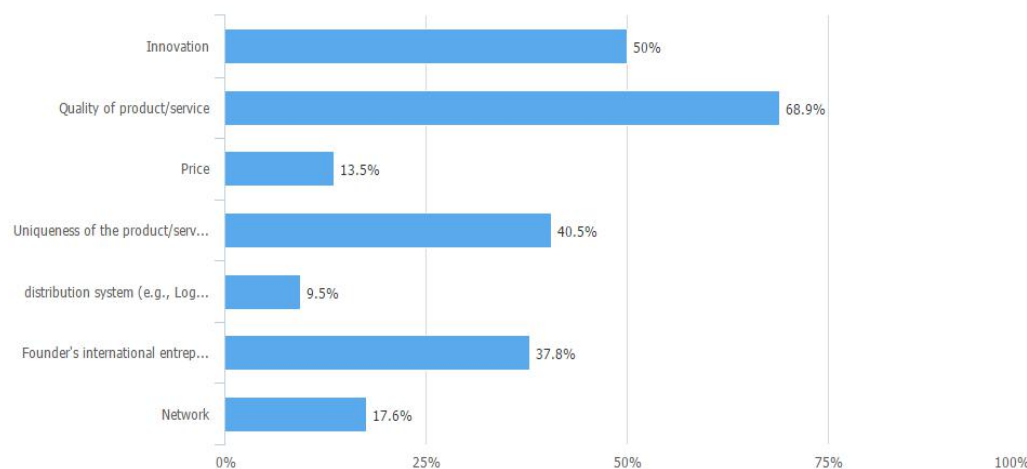


Figure 12 The drivers of efficient international performance

The survey confirmed specific key drivers giving rise to the success of the INVs in the global market. Firstly, the innovative culture of the firms supports the technological development as well as the knowledge creation, acting as the fundamental drivers for the firms to internationalize. The quality focus and the uniqueness of the product/service provide a stable strategic basis for the firms to succeed in diverse business environments. Regardless of the lack of tangible, financial and human resources, INVs are acting as active international business participants thanks to their critical internal capabilities.

6 CONCLUSION

6.1 Summary

Among the firms examined in this study, 77 percent of firms succeed in the international markets, which strongly indicates that the young age of the business and lack of experience, the constraints of financial, as well as human and tangible resources are no longer the barriers to the SMEs. Increasingly the trend that the INVs are becoming the active participants of international trade encourages SMEs to engage in the international business field. In the globalized environment, with the advanced external environmental development of communication technology and information process technology, INVs can be leading players if companies possess the internal unique advantages that are inimitable and immobile. Since the traditional internationalization theories fail to explain the existence of the INVs, various academic research has been developed to investigate the formation process of the early and rapid internationalization.

This study analyzes the underlying drivers of the firms in achieving efficient international performances as not much related research has been conducted. Moreover, much research is based on single theoretical framework, so this study expands the base of theoretical perspectives in explaining the phenomenon of early and rapid internationalization. The conceptual performance model integrates the transaction cost theory view with the organizational capability perspective to test the most effective drivers for evaluating the international performance for INVs. As a result of the empirical study, the international capabilities (innovation, quality focus, uniqueness of the product/service and the founder's international entrepreneurial vision) are highly emphasized by the management team of the firms. However, the network and the foreign distributors, the outside performer with rich market knowledge in target market, are playing a less important role.

This study offers insight on that INVs can improve the efficiency of international performance through focusing on the development of innovation, the quality of the product/service, the uniqueness of the product/service, and the employment of the international vision.

6.2 Suggestions

As examined in the study, innovation is of significance for the firms to lean on. However, the external distribution system is not the main competence emphasized by firms. Although the dominant players in the international trade are MNEs, the role of the SMEs is becoming increasingly important. Since the prosperity of the SMEs largely creates economic development and improve the employment situation, the governmental policy makers also encourage the phenomenon of early and rapid internationalization. In this sense, the INVs benefit from the policies considerably. For example, in Europe, the Commission's Directorate-General launched the Enterprise Europe Network program in February 2008 to help the SMEs seize the business opportunities. This service is designed as the key instrument for the EU to boost economic growth and jobs, because the SMEs account for 99 percent of the enterprises in Europe and they generate 67 percent GDP. In this Network, 600 members from chambers of commerce, technology centers, research institutes and development agencies offer service to the SMEs and a powerful database has been set up to share knowledge, sourcing technologies and business partners. Therefore, the case company Veslatec Oy can actively join in the Enterprise European Network in the accelerated international expansion. The experts from the network can combine their international experience with the local market knowledge to devise international pathways and expand the international networks. In addition, the company may get the finance support, funded by COSME.

Because the case company intends to expand its market share in China, the preferential policies from China are also beneficial to the development of the company in China. With the focus on the middle area in China, which is famous for the manufacturing industries, Hubei Province Government proposed one industrial park program in cooperation with the Nordic European enterprises, aiming to provide an advanced distribution system for the international trade between China and the Nordic European countries. Moreover, another new industrial park in Shanghai is launched by the Jiangsu Province Government to encourage investment from the European countries. The government offers lower-

price land and excellent internal hardware facilities, including water, electricity, heating, communications, transportation systems. In China the social network known as “*guan xi*” is playing a key role in the business area and its importance cannot be overemphasized. Therefore, Veslatec Oy can take advantage of the Chinese preferential policies and develop a business partnership with the Chinese government.

In addition, the case company should also take the advantage of the founder’s entrepreneurial vision. In the economic system, entrepreneurs are viewed as innovators, who are defined as having three significant motivations: “First of all, there is a dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty... Then there is the will to conquer: the impulse to fight, to prove oneself superior to others, to succeed for the sake, not of the fruits of success, but of success itself... Finally, there is the joy of creating, of getting things done, or simply of exercising one’s energy and ingenuity” (Schumpeter, 1934, 93). Therefore, the founder’s entrepreneurial vision can have a positive effect on the international performance of the case company.

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Appendices

Drivers for SMEs to internationalize early

This survey aims to describe the situation of Small and Medium sized Enterprises (SME) in some of the major economies, highlighting the factors that help them to develop their international activities. Specifically, we wish to develop a better understanding of the business drivers as well as the common success factors and challenges to SMEs when operating internationally. The survey takes less than 10 minutes and will give you an opportunity to express your vision of competitiveness and the factors at stake for your business.

If your answers for the first three questions are all "a)", please continue to finish the questionnaire. If not, please stop answering the questions. Thank you very much for your time.

1 Does your company have less than 250 employees?

- a) Yes
- b) No

2 Does your company have a turnover of less than 50 million EURO?

- a) Yes
- b) No

3 Does your company internationalize from or near the founding (within 5 years)?

- a) Yes
- b) No

4 What is the Nature of your company?

- a) An independent company
- b) A subsidiary of another company

General Characteristics**5 what is the main activity of your company?**

- a) Manufacturing
- b) Distribution
- c) Services

6 How long is the creation of your company?

- a) Less than 5 years ago
- b) 5-10 years ago
- c) More than 10 years ago

Questionnaire**7 What percentages of your total turnover was generated by exports?**

- a) 1 to 25%
- b) 25 to 50%
- c) over 50%

8 Where are the majority of your international clients, partners and subcontractors based?

- a) Neighboring countries in your continent
- b) Countries in more than one continent

9 What is your main reason to increase your international business activity?

- a) Access to new markets
- b) Access to know-how and technology
- c) Additional production capacity
- d) Access to cheaper raw materials

10 In your opinion, what makes you more competitive than your peers when exporting? (Select the top 2 responses.)

- a) Innovation
- b) Quality of product/service
- c) Price
- d) Uniqueness of the product/service
- e) Distribution system (e.g., logistics)
- f) Founder's international entrepreneurial vision
- g) Network